

PX 182

Message

From: Breanne Madigan [REDACTED@ripple.com]
Sent: 1/10/2020 12:36:50 PM
To: [REDACTED@ripple.com]
Subject: Fwd: Draft to Asheesh regarding ODL payments with XRP origination

i haven't caught up on this chain. lmk if you are still ok for me to review the draft from earlier or if i should wait til you guys get some finality on this chat? THANK YOUUU! so much

----- Forwarded message -----

From: [REDACTED@ripple.com]
Date: Fri, Jan 10, 2020 at 2:49 PM
Subject: Re: Draft to Asheesh regarding ODL payments with XRP origination
To: [REDACTED@ripple.com]
Cc: [REDACTED@ripple.com], [REDACTED@ripple.com], Breanne Madigan [REDACTED@ripple.com],
Dinuka Samarasinghe [REDACTED@ripple.com]

Yes there is that element. At the same time no direct purchase or lease needed (which amplifies supply dynamics) and it's scalable. As infra builds out, derivatives will potentially also be included on exchanges that customer would already be on boarded with.

Anyways, something to keep in mind as this project and discussions evolve..

On Fri, 10 Jan 2020 at 11:40, [REDACTED@ripple.com] wrote:

I mean, the problem I see there is that onboarding to crypto exchanges is already onerous enough for ODL clients, asking them to onboard to a derivatives exchange as well seems like a step in the opposite direction. The whole reason why this XRP origination discussion is happening is to improve the client experience.

I also think that we need to respond to Asheesh with a more positive tone. Instead of telling him that XRP origination Phase 3 is a bad idea, why not focus on the "these are the things we would need to do in order to make it happen, the Markets team has the ability to do them but they will be hard and resource-intensive, so we need to make sure we're willing to do them if we want to bring this to Phase 3". Getting to a world where we are managing XRP supply in a natural way by buying it on-market and using it to originate payments is a good thing for the team, so we shouldn't be negative about that potential.

On Fri, Jan 10, 2020 at 1:58 PM [REDACTED@ripple.com] wrote:

On xrp origination: Have we discussed / thought about alternative / additional option via derivatives?

E.G:

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- 1.) RippleNet customer buys 1M XRP vs USD in open market and shorts equivalent in future (neutral exposure and impact)
- 2.) Customer originates a payment on RippleNet sending 1m xrp into mxn
- 3.) Customer buys/covers future position

Wouldn't that appear more scalable and organic?

On Fri, 10 Jan 2020 at 10:49, Dinuka Samarasinghe <[REDACTED]@ripple.com> wrote:
I've made this a bit shorter and punchier, but still not super punchy. See [here](#) if you'd like to edit further.

On Fri, Jan 10, 2020 at 1:27 PM Breanne Madigan <[REDACTED]@ripple.com> wrote:
hey D
thanks for pulling this together
wow - it's LONG! AB likes things punchy i think. want to do something shorter and offer a call?
otherwise, feel free to pop this into a google doc and ill update there. thanks, D

On Fri, Jan 10, 2020 at 12:56 PM Dinuka Samarasinghe <[REDACTED]@ripple.com> wrote:

Hi Ashceesh,

We appreciate you asking for the markets team's thoughts on XRP origination at yesterday's ODL WBR. Please find our thoughts below.

ODL XRP origination concerns:

- In general, the markets team does not see a significant issue with Phase 1 or Phase 2 XRP origination ODL payments, in that the notional sizes are relatively low. We do have significant concerns regarding Phase 3.
- The markets team believes that phase 3 ODL XRP origination is ultimately not scalable without Ripple buying XRP in the open market
 - XRP origination has an upper bound of the amount of XRP that is released from escrow, and then would only be able to achieve that for 55 months

- Given escrow limits, assuming an XRP price at \$0.20, that is \$200 million per month, or a max daily average of \$6.67M worth of ODL origination per day, assuming no negative impact on XRP price
- However, we'd expect ODL XRP origination at any significant scale to have a negative impact on XRP price
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- With Ripple's current lack of scope to perform open market operations on XRP (ie buying and selling directly), Phase 3 ODL origination where the XRP comes from Ripple wallets represents straight selling of XRP and pure supply increase of XRP into the open market, in a fashion that is detrimental to XRP compared to XRP programmatic sales
 - Ripple can dictate the rate of programmatic sales, thereby controlling the increase in circulating supply from Ripple's XRP holdings, while Phase 3 XRP origination ODL orders are controlled by the client, with no bounds set yet for introduction of XRP circulating supply (note that with any bounds that safeguard increases in XRP circulating supply to reasonable levels, ODL XRP origination does not scale to a significant size without open market purchases of XRP)
 - Programmatic sales are done with our liquidators directed to minimize market impact, while ODL XRP origination orders are effectively market sell orders that aggressively hit the open order book
 - Programmatic sales can be targeted at exchanges that do not take US customers, with a potential 500 bps savings from tax burden while ODL XRP origination orders direct sales at exchanges regardless of customer policy (makes no restriction for exchanges that limit to non-US customers)
- ODL XRP origination may require Ripple to be considered a money transmitter
 - Under the current plan, an ODL partner would pay Ripple directly for XRP, then Ripple would send XRP from its own holdings to an exchange to be sold for fiat.

Please let us know if you have any questions or would like to discuss further.

Thank you.

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